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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re : Chapter 11 Case No.
: :
LEHMAN BROTHERS HOLDINGS INC., *et al.*, : 08-13555 (JMP)
: :
Debtors. : (Jointly Administered)
: :
: :
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**DECLARATION OF DANIEL EHRMANN
IN SUPPORT OF DEBTORS' MOTION PURSUANT TO
SECTIONS 105, 363, AND 365 OF THE BANKRUPTCY CODE TO ESTABLISH
PROCEDURES FOR THE CONSENSUAL AMENDMENT AND ASSUMPTION
OF CERTAIN NON-TERMINATED PREPETITION DERIVATIVES CONTRACTS**

Pursuant to 28 U.S.C. § 1746, I, Daniel Ehrmann, declare:

1. I am over the age of 18 years and make these statements of my own personal knowledge. If called to testify, I could testify to the truth of the matters set forth herein.
2. I submit this Declaration in support of the *Debtors' Motion to Establish Procedures for the Consensual Amendment and Assumption of Certain Non-Terminated Prepetition Derivatives Contracts* (the "Motion").¹ I have reviewed the Motion, and I adopt the representations contained therein, as if set forth in full in this Declaration.

¹ Capitalized terms not defined herein shall have the meanings ascribed to them in the Motion.

3. I am Managing Director with Alvarez & Marsal North America, LLC. I was assigned to the Lehman matter in September 2008. I am a co-head of the derivatives group for the Debtors. In that capacity, I am responsible for and manage all derivatives-related matters of the Debtors. I have knowledge of, or have worked with or overseen Lehman employees who have knowledge of, the discussions related to the transactions discussed in the Motion and in this Declaration. It is in my business judgment that the relief requested in the Motion is in the best interests of the Debtors and their estates.

4. The Debtors are parties to thousands of Derivatives Contracts with a host of Counterparties, many of which have not been fully settled. The Debtors are or will be in active settlement discussions with up to ten or fifteen such Counterparties regarding potential amendments to their non-terminated agreements and the provision of substitute performance or credit support in connection with the assumption of such amended contracts.

5. It is my understanding that, pursuant to the Motion, the Debtors are seeking approval of procedures (the "Amendment and Assumption Procedures") to, with the consent of the Creditors' Committee and the applicable counterparties to those contracts, (i) amend any Derivatives Contract; (ii) assume any of the Derivatives Contracts, as may be amended; (iii) determine any amounts to be paid to cure existing defaults (the "Cure Amount") under such contract; and (iv) pay all Cure Amounts and fees and expenses in connection with securing substitute performance, alternative credit support, or another form of adequate assurance for a Derivatives Contract, all without further Court order, provided that the applicable Debtor has the consent of the Counterparty and the Creditors' Committee. I believe that these procedures, as more fully set forth in the Motion, will enable the Debtors to realize upon the value of these "in the money" Derivatives Contracts.

6. Based on my review of the proposed Amendment and Assumption Procedures and the Derivatives Contracts, I believe that the procedures set forth in the Motion will enable the Debtors to rapidly make and implement decisions to maximize the value of their Derivatives Contracts and will enable the Debtors to consensually amend and assume valuable Derivatives Contracts without wasting valuable estate resources in repeatedly seeking relief from the Court. Accordingly, I believe that those procedures are fair, reasonable and in the best interests of the Debtors and all of their economic stakeholders.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct to the best of my knowledge.

Executed on this 28th day of October 2011.

/s/ Daniel Ehrmann
Daniel Ehrmann